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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

BEST COPY AVAILABLE

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-18253

NDC Automation, Inc.

(Exact name of registrant as specified in its charter)

Delaware	56-1460497
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3101 Latrobe Drive, Charlotte, North Carolina	28211
(Address of principal executive offices)	(Zip Code)

(704) 362-1115

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

As of July 13, 1992, there were 1,566,250 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NDC AUTOMATION, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	May 31, 1992	November 30, 1991
	(Unaudited)	
ASSETS (Note 6)		
CURRENT ASSETS		
Cash and cash equivalents	$ 252,031	$ 171,492
Accounts receivable, net	2,629,169	2,292,883
License fee receivables, current maturities	109,112	111,928
Inventories	1,300,899	1,224,601
Income tax receivable	-	81,572
Costs and estimated earnings in excess of billings on uncompleted contracts	623,779	271,136
Prepaid expenses and other assets	16,783	27,978
Total current assets	$ 4,931,773	$ 4,181,590
LONG-TERM RECEIVABLES		
License fee receivables, less current maturities	$ 38,299	$ 36,159
Loan receivable - officer	26,063	21,647
	$ 64,362	$ 57,806
PROPERTY AND EQUIPMENT		
Land	$ 300,000	$ 300,000
Building and improvements	1,102,177	1,095,445
Furniture, fixtures and office equipment, including assets acquired under capital leases 1992 $54,333; 1991 $129,527	459,535	496,423
Machinery and equipment, including assets acquired under capital leases 1992 $13,072; 1991 $13,072	296,491	288,703
Software	512,143	340,480
Vehicles, including assets acquired under capital leases 1992 $45,955; 1991 $45,955	52,585	52,585
	$ 2,722,931	$ 2,573,636
Less accumulated depreciation, including amounts applicable to assets acquired under capital leases 1992 $50,150; 1991 $ 0,707	671,456	585,431
	$ 2,051,475	$ 1,988,205
INTANGIBLE ASSETS (Note 3)	$ 247,929	$ 302,590
	$ 7,295,539	$ 6,530,191

Note: The Balance Sheet at November 30, 1991 has been taken from the Audited Consolidated Financial Statements at that date.

See Notes to Consolidated Financial Statements.

	May 31, 1992	November 30, 1991
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable, bank (Note 6)	$ 2,356,916	$ 2,013,761
Current maturities of long-term debt (Note 6)	346,893	492,966
Accounts payable and accrued expenses; including affiliates 1992 $721,746; 1991 $150,857	1,055,919	687,559
Billings in excess of costs and estimated earnings on uncompleted contracts	200,200	166,686
Income taxes payable	30,074	-
Total current liabilities	$ 3,990,002	$ 3,360,972
LONG-TERM DEBT (Note 6)	$ 1,383,643	$ 1,384,059
DEFERRED INCOME TAXES	$ 44,501	$ 38,389
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' EQUITY (Notes 5, 8, and 11)		
Preferred stock, par value $.01 per share; authorized 1,000,000 shares; no shares issued	$ -	$ -
Common stock, par value $.01 per share; authorized 10,000,000 shares; 1,590,000 shares issued and outstanding	63,600	63,600
Additional paid-in capital	1,998,319	1,998,319
Additional paid-in capital from reissuance of treasury stock	395	395
Warrants to purchase common stock	100	100
Accumulated (deficit)	(137,045)	(267,667)
	$ 1,925,369	$ 1,794,747
Less cost of treasury stock 1992 23,750 shares; 1991 23,750 shares	47,976	47,976
	$ 1,877,393	$ 1,746,771
	$ 7,295,539	$ 6,530,191

NDC AUTOMATION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Six Months Ended May 31, 1992
(Unaudited)

	Balance November 30, 1991	Net Additions (Repurchase)	4:1 Reverse Stock Split	Net Income	Balance May 31, 1992
SHARES (Notes 5, 8, and 11)					
Common Stock Shares Issued	6,360,000	-	(4,770,000)	-	1,590,000
Treasury Stock					
Shares Acquired	(99,000)	-	74,250	-	(24,750)
Shares Reissued	4,000	-	(3,000)	-	1,000
	6,265,000	-	(4,698,750)	-	1,566,250
AMOUNTS					
Common Stock	$ 63,600	-	-	-	$ 63,600
Additional Paid-in Capital	$ 1,998,319	-	-	-	$ 1,998,319
Additional Paid-in Capital from Reissuance of Treasury Stock	395	-	-	-	395
Warrants to Purchase Common Stock	100	-	-	-	100
Accumulated (Deficit)	$ (267,667)	-	-	$ 130,622	$ (137,045)
Treasury Stock	(47,976)	-	-	-	$ (47,976)
	$ 1,746,771	$ -	-	$ 130,622	$ 1,877,393

See Notes to Consolidated Financial Statements.

NDC AUTOMATION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
	May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991
Net revenues	$ 2,325,158	$ 2,520,762	$ 4,179,000	$ 4,792,456
Cost of goods sold	1,255,125	1,599,412	2,290,464	3,026,896
Gross profit	$ 1,070,033	$ 921,350	$ 1,888,536	$ 1,765,560
Operating expenses:				
Selling	$ 193,133	$ 171,2[illegible]	$ 338,493	$ 384,902
General and administrative	629,225	524,[illegible]	1,145,163	1,017,166
Research and development	21,183	40,[illegible]	56,449	71,957
	$ 843,541	$ 736,540	$ 1,540,105	$ 1,474,025
Operating income	$ 226,492	$ 184,810	$ 348,431	$ 291,535
Net interest income (expense):				
Interest income	$ 6,278	$ 12,128	$ 12,408	$ 20,587
Interest expense	(85,963)	(70,978)	(171,662)	(148,970)
	$ (79,685)	$ (58,850)	$ (159,254)	$ (128,383)
Income before income taxes	$ 146,807	$ 125,960	$ 189,177	$ 163,152
Federal and state income taxes (Note 2)	$ 42,893	$ 48,238	$ 58,555	$ 65,926
Net income	$ 103,914	$ 77,722	$ 130,622	$ 97,226
Weighted average number of common shares outstanding	1,566,250	1,567,915	1,566,250	1,575,012
Earnings per common share (Note 4)	$ .06	$ .05	$ .08	$ .06
Dividends per share	$ .00	$ .00	$ .00	$ .00

See Notes to Consolidated Financial Statements.

NDC AUTOMATION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended May 31, 1992	May 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 130,622	$ 97,226
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	131,142	86,248
Amortization	54,661	32,951
Amortization of unearned discount	(6,824)	(8,458)
Increase (decrease) in provision for doubtful accounts	33,000	(5,000)
Gain on sale of property and equipment	(3,762)	-
Foreign currency exchange rate loss (gain)	(54,751)	32,236
Change in assets and liabilities:		
(Increase) in accounts receivable	(369,286)	(382,373)
Decrease in license fee receivables	7,500	20,001
(Increase) in inventories	(76,298)	(106,622)
(Increase) in costs and estimated earnings in excess of billings on uncompleted contracts	(352,643)	(191,870)
Decrease in prepaid expenses and other assets	11,195	10,224
Increase in long-term receivables	(4,416)	-
Increase in accounts payable and accrued expenses	368,360	688,374
Increase in billings in excess of costs and estimated earnings on uncompleted contracts	33,514	17,701
Increase (decrease) in taxes on income	30,074	(87,945)
Increase (decrease) in deferred income taxes	6,112	(1,612)
Decrease in income tax receivable	81,572	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 19,772	$ 201,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	$ 33,840	$ -
Purchase of property and equipment	(224,490)	(125,896)
NET CASH (USED IN) INVESTING ACTIVITIES	$ (190,650)	$ (125,896)

See Notes to Consolidated Financial Statements.

	1992	1991
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on revolving credit agreements	$ 343,155	$ (54,172)
Principal payments on long-term borrowings, including capital lease obligations	(146,489)	(139,430)
Payments to acquire treasury stock	-	(44,018)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ 196,666	$ (237,620)
Effect of foreign currency exchange rate changes on cash and cash equivalents	$ 54,751	$ (32,236)
Increase in cash and cash equivalents	$ 80,539	$ (194,671)
Cash and cash equivalents Beginning	171,492	282,261
Ending	$ 252,031	$ 87,590
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$ 170,534	$ 144,562
Income taxes (recovery)	$ (44,334)	$ 140,083
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Capital lease obligations incurred for use of equipment	$ -	$ 23,072

NDC AUTOMATION, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1.

The unaudited internal consolidated financial statements and related notes have been prepared by NDC Automation, Inc. (the "Company"), without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the consolidated financial position, results of operations and changes in cash flows at May 31, 1992, and for all periods presented, have been made.

The consolidated financial statements at May 31, 1992 include the accounts of the Company and its wholly-owned subsidiary, Southeastern Software Developers, Inc. All material inter-company balances and transactions have been eliminated in consolidation.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended November 30, 1991. The results of operations for the period ended May 31, 1992 are not necessarily indicative of the operating results for the full year.

Note 2. Income Taxes

The reported tax rate for the three and six months ended May 31, 1992 and 1991 was 34.5% and 38.62%, respectively, which is presently the Company's current estimate of the effective tax rate for the entire year. The Company files its income tax returns with its subsidiary on a consolidated basis.

The Financial Accounting Standards Board issued Financial Accounting Standard 109, "Accounting for Income Taxes." Application of the standard, which was amended to be effective for fiscal years beginning after December 15, 1992, but may be adopted before then, will require a change from the deferred method to the asset and liability method of accounting for income taxes. The Company has determined not to adopt Statement 109 for this fiscal year and, consequently, has not determined the impact, if any, on the Company's consolidated financial statements.

Note 3. Intangible Assets

On July 13, 1990, the Company entered into an agreement with Statec Technologies S.A. ("Statec") in which it received a ten (10) year exclusive distribution agreement for North America, Australia, New Zealand, and South Africa. In exchange for this distribution agreement, the Company transferred its 19% equity interest in Statec to Valtronic, S.A., which now owns 100% of Statec. As a part of the agreement, the Company's potential liability under standby letters of credit in favor of Statec was terminated.

A breach of the agreement by the Company could result in the loss of this exclusivity, thereby reducing the value of the asset; or termination of the contract, rendering the unamortized portion of the asset worthless. Furthermore, if the restructuring of Statec becomes questionable, the value of the asset would be significantly reduced, unless the Company exercised its manufacturing option.

Due to a significant decline in RFID product sales during the year ended November 30, 1991 and revised projected future sales of RFID products over the remaining term of the agreement, the Company wrote down the Statec distribution agreement to its net realizable value. This resulted in a $205,683 charge to net income during the year ended November 30, 1991.

The Company has certain other intangible patents, marketing, and manufacturing rights that have been acquired from Statec. Intangible assets at May 31, 1992 and November 30, 1991, respectively, consisted of the following:

	1992	1991
Marketing rights	$ 38,212	$ 38,212
Manufacturing rights	72,247	72,247
Patents	25,000	25,000
Distribution agreement (Statec Technologies, S.A.)	523,560	523,560
	$ 659,019	$ 659,019
Less accumulated amortization	411,090	356,429
	$ 247,929	$ 302,590

Note 4. Earnings Per Common Share

Earnings per common share are computed by dividing net earnings applicable to common shareholders by the weighted average common shares outstanding. Warrants to purchase common stock, which are normally considered common stock equivalents, have been excluded from the calculation because the effect on earnings per share would be anti-dilutive. Additionally, options issued pursuant to the Stock Option Plan have been excluded, as their inclusion does not dilute the computation beyond the 3% materiality test.

Note 5. Stock Option Plan and Other Agreements

On October 10, 1990, the Compensation Committee of the Board of Directors adopted the NDC Automation, Inc. 1990 Stock Option Plan ("the Plan"), the adoption of which was ratified by the shareholders at the annual meeting held on April 10, 1991. The Plan provides for the issuance of up to 108,600 shares of the Company's common stock.

Options to purchase one hundred six thousand five hundred (106,500) shares of common stock were granted pursuant to the Plan and are available for exercise upon achievement by the Company of certain financial performance targets set by the Board of Directors. The options will be exercisable for a term of ten years, commencing on the date of the grant. The first milestone for the Plan was verified during the first quarter of 1992. Options to purchase twenty-seven thousand four hundred ninety-nine (27,499) shares of common stock are exercisable at the option price of $1.1875 since approval by the Board of Directors was obtained in April 1992.

The compensation committee has granted options to purchase eighty-two thousand five hundred (82,500) shares of common stock to the Company's executive officers at an exercise price of $1.1875. The exercise price of the options granted is based on the fair market value of the common stock for the five business days preceding the date of the grant.

On June 28, 1991 and July 15, 1991, Stock Option Agreements with employees of SSDI were signed for an additional 2,500 and 7,500 shares, respectively. Such options were not originally granted under the Plan.

Note 6. Notes Payable, Bank and Long-Term Debt

The Company has the folkwing notes payable with a bank at May 31, 1992:

Line of credit for $2,600,000 with interest at prime plus 1/2%. Advances under the line of credit will not exceed the lesser of the sum of 80% of the Company's current accounts receivables, plus 60% of the book value of its current inventory, plus 50% of its costs and estimated earnings in excess of billings on uncompleted contracts to a maximum of $250,000 of additional borrowings, or $2,600,000. The line of credit expires on March 31, 1993(1).	$ 2,356,916

Long-term debt consists of the folkwing at May 31, 1992:

Note payable to bank, with interest payable monthly at prime plus 1%, principal balance to be repaid in twenty (20) consecutive quarterly installments of $38,487, with the final installment to be paid on November 30, 1994, guaranteed in the amount of $300,000 by Nordbanken (Gothenburg, Sweden) on behalf of NDC, Netzler et Dahlgren Company AB(1).		$ 423,357
Note payable to bank, with interest payable monthly at prime plus 1/2%. Principal balance to be repaid in sixteen (16) consecutive quarterly installments of $12,500, with the final installment to be paid on March 31, 1996(1).		200,000
Mortgage note payable, due in quarterly payments of $24,188, plus interest at 11%, with one final payment of $456,688 due May 31, 1998(1).		1,013,000
		1,636,357
Obligations under capital leases		94,179
		1,730,536
Less current maturities:		
Notes and mortgage	$ 300,698	
Obligations under capital leases	46,195	346,893
		$ 1,383,643

(1) The above loans are held by the same bank and are cross-collateralized by all of the Company's assets; however, the guarantee of $300,000 can be applied only to the note payable to which it is specifically attached. In addition, a default on any one loan may put all remaining loans in default. The prime rate at May 31, 1992 was 6.5%.

Note 6. Notes Payable, Bank and Long-Term Debt (Continued)

The Company leases various office equipment and automobiles under non-cancelable lease agreements expiring on various dates through 1995. Capital lease obligations are secured by related equipment, payable in monthly installments aggregating $4,547 to $262 over the next 36 months, with interest rates ranging from 11.3% to 14.10%.

At May 31, 1992, the office equipment and automobiles recorded under capitalized leases had a book value of $63,210.

Maturities of long-term debt at May 31, 1991 are as follows:

Year Ending May	Minimum Future Lease Payments Under Capital Leases	Amount Representing Interest	Present Value of Net Minimum Lease Payments	Maturities of Long-term Debt	Total
1993	$ 55,564	$ 9,369	$ 46,195	$ 300,698	$ 346,893
1994	41,671	3,578	38,093	300,698	338,791
1995	9,779	642	9,137	262,211	271,348
1996	762	8	754	146,750	147,504
1997	-	-	-	96,750	96,750
Thereafter	-	-	-	529,250	529,250
	$ 107,776	$ 13,597	$ 94,179	$ 1,636,357	$ 1,730,536

Note 7. Litigation

On April 30, 1992 the Company entered into a Settlement Agreement and Mutual Release("Settlement") with Kress Corporation "(Kress") pursuant to which the Company and Kress have dismissed with prejudice all claims made against the other in the action for declatory judgement filed by the Company in the North Carolina General Courts of Justice Superior Court Division, Mecklenburg County. Pursuant to the terms of the Settlement, NDC has paid to Kress the sum of $51,500, which was made without any admission of wrongdoing by the Company. Both parties have granted releases to the other for all claims arising out of matters which occurred at any time prior to the date of the Settlement.

Note 8. Treasury Stock

The Board of Directors has authorized the repurchase, through open market transactions, of up to 69,000 shares, after adjusting for the reverse stock split, of the Company's outstanding common stock. This amount represents 10% of the Company's stock in public hands and 4.3% of the Company's issued and outstanding stock. Management was given discretion to determine the number and price of shares to be repurchased.

The Company may repurchase its shares in the over-the-counter market, from time to time, at prices prevailing. Purchasing activities may be discontinued and resumed at any time, as market conditions warrant.

All shares of treasury stock are carried on the balance sheet at cost and shares which have been reissued are removed, using the weighted average cost method. At May 31, 1992, the Company held in treasury 23,750 shares, which cost totaled $47,976.

Note 9. Acquisition of Wholly-Owned Subsidiary

On June 28, 1991, the Company acquired for cash and stock all of the outstanding shares of Southeastern Software Developers, Inc., a data processing company specializing in plant floor data acquisition and monitoring systems for the IBM AS/400 platform. The purchase price of the outstanding stock equaled $8,375 and was paid in $7,500 cash and 250 reissued treasury shares at fair market value of $3.50, for a total value of the shares of $875.

The acquisition has been accounted for as a purchase, and results of operations of SSDI, since date of acquisition, are included in the consolidated financial statements.

In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 174,723
Cash and treasury stock paid for capital stock	(8,375)
Liabilities assumed	$ 166,348

The liabilities being assumed will be paid by NDC Automation, Inc. through available cash and funds from the existing lines of credit.

Unaudited pro forma consolidated financial operations for the period ended May 31, 1992 and May 31, 1991, as though SSDI had been acquired as of December 1, 1991, have been omitted due to the immaterial nature of SSDI's financial operations in relation to the Company's operations taken as a whole.

Note 10. Reclassification

Certain amounts in the Consolidated Financial Statements for 1991 have been reclassified to conform with classifications used in the May 31, 1992 Consolidated Financial Statements. These reclassifications had no effect on 1991 net income or accumulated deficit.

Note 11. Reverse Stock Split

On February 12, 1992, the Board of Directors authorized and approved a four-to-one reverse stock split on all Company common stock, warrants, and stock options. The split was effective February 28, 1992.

All references in the financial statements to average number of shares outstanding and related prices per share amounts, stock option, and treasury share data have been restated to reflect the split.

Note 12. Subsequent Event

On July 1, 1992, the Company acquired 100% of the outstanding stock of NDC Technology Australia Pty. Ltd. for total consideration of treasury stock and cash of $103,000. (See Exhibit F of this filing.) The company's estimated net worth (deficit) was approximately (US$150,000) at the date of acquisition. Presently, management believes that with the present backlog in Australia and possible government grants to be received within the next five months, the company should be brought back into a positive equity position. The parent Company will finance any shortfall until such time.

Item 2. Management's Discussion and Analysis of Financial Condition and Operating Results

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

RESULTS OF OPERATIONS

Table 1 below sets forth (a) the percentage relationship of income and expenses relative to net revenues, and (b) the percentage of change between the comparable prior period and current period. This Table must be reviewed in conjunction with the Company's Consolidated Statements of Income presented in Part I, Item 1, Page 6 of this filing.

Table 1

	Percentage of Net Revenue				Percentage of Change Period to Period Increase (Decrease)	
	Three Months Ended		Six Months Ended			
	May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991	Three Months Ended May 31, 1991 to 1992	Six Months Ended May 31, 1991 to 1992
	%		%		%	
Net revenues	100.0	100.0	100.0	100.0	(7.8)	(12.8)
Cost of goods sold	54.0	63.5	54.8	63.2	(21.5)	(24.3)
Gross profit	46.0	36.5	45.2	36.8	16.1	7.0
Operating expenses:						
Selling	8.3	6.8	8.1	8.0	12.8	(12.0)
General and administrative	27.0	20.8	27.4	21.2	19.9	12.6
Research and development	.9	1.6	1.4	1.5	(48.0)	(21.5)
	36.2	29.2	36.9	30.7	14.5	4.5
Operating income	9.8	7.3	8.3	6.1	22.6	19.5
Net interest expense	3.5	2.3	3.8	2.7	35.4	24.1
Income before income taxes	6.3	5.0	4.5	3.4	16.6	16.0
Income taxes	1.9	1.9	1.4	1.4	(11.1)	(11.2)
Net income	4.4	3.1	3.1	2.0	33.7	34.3

Quarter Ended May 31, 1992 Compared to the Quarter Ended May 31, 1991

Net Revenues. Net revenues for 1992 decreased 7.8% from $2,520,762 in 1991 to $2,325,158. The decrease was the result of a lower opening backlog compared to the prior year. Such fluctuations in quarterly net revenues are considered normal due to projects and large shipments on major orders. The present backlog positions the Company well to improve net revenues for the coming year compared to the prior year ending November 30, 1991.

The level of RFID product revenues represented 5.5% of total revenues and is presently expected to remain poor due to current economic and market conditions.

NDC received an order during the second quarter for a value in excess of $2 million (see Exhibit A to this filing). The Company is presently quoting other projects, of equal or greater value. Should such projects materialize, they could represent significant growth opportunities.

The Company will also be expanding its current markets with the acquisition of NDC Technology Australia Pty. Ltd. as of July 1, 1992. The acquisition is presently expected to increase net revenues for the current fiscal year by approximately $175,000. (See Exhibit E attached to this filing.)

Cost of Goods Sold, Gross Profit. Margin fluctuations vary widely from quarter to quarter during a fiscal year. Such fluctuations can be expected to continue due to the following conditions:

a) Lower margins on the sale of third party products in Company project sales; and
b) A varying mix of products and services in existing project sales and possible future project sales.

The current period gross profit margin percentage, however, increased 9.5% to 46.0% from 36.5% in 1991. The large increase was primarily due to fewer third party product sales compared to the prior year. The current gross profit increased $148,683 from $921,350 in 1991 to $1,070,033. The increase occurred despite lower net revenues compared to the prior year.

Operating Expenses, Operating Income. During the current quarter, operating expenses increased 14.5%, or $107,001, compared to the quarter ended 1991. The overall increase in operating expenses occurred primarily due to an increase in general and administrative expenses. General and administrative expenses increased compared to the prior year due to settlement charges from the Kress litigation and higher depreciation charges of fixed assets. In 1992, the Company attended a major trade show, which accounted for an increase of selling expenses during that period compared to 1991. The trade show was used to introduce the new Laser technology to our existing customer base as well as potential new customers. Research and development activity remained quite steady in the second quarter as product development of new software continued. These expenses were capitalized in the current quarter, thus showing a smaller expense than in the previous year. During the second quarter of 1992, $35,000 of software was capitalized for SSDI development compared to none for the prior year.

Operating income increased 22.6%, or $41,682, compared to the same period last year, and increased as a percentage of net revenue to 9.8% compared to 7.3% in 1991. The Company was able to accomplish this increase as a result of higher profit margins, (see discussion on cost of goods sold, gross profit above) despite lower net revenues and a short-term increase in legal expenses as described above.

Interest, Income Taxes, Net Income. The 35.4%, or $20,835, increase in net interest expense is primarily the result of current Working Capital Facility ("WCF") borrowings being significantly higher compared to the same quarter in the prior year. Lower interest rates and lower long-term debt in the current quarter helped offset the increase. Net interest is expected to remain at the current level at least through the next quarter due to anticipated cash flows.

Income before income taxes increased as a percentage of net revenue and in real dollars increased 16.6% during the current quarter compared to the same quarter in 1991. The Company's subsidiary, SSDI, posted a loss of approximately $10,000 for the second quarter, which reduced the consolidated increase. The subsidiary is expected to have a negative impact on the consolidated income at least through the next quarter due to a low backlog.

The Company's income tax rate estimate was lowered to 34.5% from 38.62% in 1991 due to lower actual state income taxes experienced in the prior year. The change in estimate resulted in decrease of the tax provision compared to 1991, even though income increased.

Net income increased 33.7% compared to 1991. The increase in real dollars was encouraging due to the fact that the income was attainable even with lower net revenues.

Backlog. As of May 31, 1992, backlog increased 27.4% to $3,580,743 from $2,810,440 at February 28, 1992. The backlog also increased $1,068,053 from $2,512,690 in the comparable prior period ended May 31, 1991. Backlog can vary significantly due to large project orders and percentage of completion. Management has not seen any softening of interest or quoting activity for the Company as a whole compared to the prior year; however, due to the economic times, customers are more cautious and lead times can be lengthened. The present backlog positions the Company well to improve net revenues for the coming year compared to the prior year ending November 30, 1991.

Six Months Ended May 31, 1992 Compared to the Six Months Ended May 31, 1991

Net Revenues. Decrease in net revenues occurred for the same reasons as described above on net revenues for the three month comparables.

Cost of Goods Sold, Gross Profit. Increases in gross profit occurred for the same reasons as described above on cost of goods sold and gross profit for the three month comparables.

Operating Expenses, Operating Income. Increase in operating expenses and operating income occurred for the same reasons as described above for operating expenses and operating income for three month comparables.

Additionally, selling expenses during the six month period decreased as a result of a reduced sales staff for the RFID division to respond to present economic conditions.

Interest, Income Taxes, Net Income. Increase (decreases) in interest, income taxes, and net income occurred for the same reasons as described above on interest, income taxes, net income for the three months comparable.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity. During the period ending May 31, 1992, the Company made full and timely payments to its creditors and presently has sufficient funds available to meet its current obligations through this fiscal period ending November 30, 1992.

The Company's liquidity position is a function of cash on hand and credit available through an existing WCF provided under agreement with Nordbanken International (US) Banking Corporation (the "Bank"). (See Note 6 to the Consolidated Financial Statements.) Under existing borrowing formulas, the total credit available to the Company under its WCF on May 31, 1992 was $2,600,000.

With the usage of $2,356,916, the Company had $243,084 available under the WCF, in addition to the Company's cash position of $252,031, or a total of $495,115, as of May 31, 1992. The Company's available liquidity position declined $229,264 from $724,379 available November 30, 1991. The decline represents a short-term effect of having current assets greater than the borrowing formulae will allow due to the cap at $2,600,000. Such a decline should begin to reverse itself as receivables are collected in the third quarter.

The Company signed firm agreements with the bank to renew the WCF for an additional year and an offer to renew the $200,000 loan due March 31, 1992 for a four-year term, repayable in quarterly installments of $12,500. The Company obtained an additional borrowing formula for the WCF to include 50% of "costs and estimated earnings on uncompleted contracts" to a maximum of $250,000 in advances. This will allow the Company to finance work in progress on projects not yet billed, which it was not available in the past.

This additional financing is very important to the Company due to the fact that more than 50% of the Company's business is project related. The overall liquidity position may increase, due to the new formula, up to a maximum of $250,000 in advances. The $2.6 million limitation will still apply.

The Company's statement of cash flows shows that net cash provided by operating activities declined from $201,081 in 1991 to $19,772 in 1992. Such fluctuations in cash are considered normal. The decrease is primarily due to a larger increase in "costs and estimated earnings in excess of billings on uncompleted contracts" in 1992 compared to a smaller increase in 1991. The Company was not able to offset this decline with a decrease in accounts receivables because a substantial portion of the Company's revenues for the current quarterly period was recognized in May 1992 and are not currently due from customers. The Company also experienced payment delays for certain projects which had a negative impact on the cash flows for the period.

Working Capital. During the Company's quarter ending May 31, 1992, working capital increased $121,153, or 14.8%, to $941,771 from $820,618 on November 30, 1991. The majority of the increase came from the renewal of the $200,000 term loan, making $150,000 no longer current, but long term.

(The remainder of this page was left blank intentionally.)

Balance Sheet Analysis. Table 2, which follows, sets forth the percentage of change in the Company's Balance Sheet from November 30, 1991 to May 31, 1992. This Table must be reviewed in conjunction with the Company's Consolidated Balance Sheets presented in Part I, Item 1, Pages 3 and 4 of this filing.

Table 2

	Percentage of Change Period November 30, 1991 to May 31, 1992 %
CURRENT ASSETS	
Cash and cash equivalents	47.0
Accounts receivable	14.7
License fee receivables	(2.5)
Inventories	6.2
Income tax receivable	(100.0)
Costs and estimated earnings in excess of billings on uncompleted contracts	130.0
Prepaid expenses and other assets	(40.0)
Total current assets	17.9
LONG-TERM RECEIVABLE	
License fee receivables, less current maturities	5.9
Loan receivable - officer	20.4
PROPERTY AND EQUIPMENT	3.2
INTANGIBLE ASSETS	(18.0)
Total assets	11.7
CURRENT LIABILITIES	
Notes payable, bank	17.0
Current maturities of long-term debt	(29.6)
Accounts payable and accrued expenses	53.6
Billings in excess of costs and estimated earnings on uncompleted contracts	20.1
Total current liabilities	18.7
LONG-TERM DEBT	0.0
DEFERRED INCOME TAXES	15.9
STOCKHOLDERS' EQUITY	7.5

The Company's total assets have increased by $765,348, or 11.7%. The increase was mainly the result of an increase in current assets. During the current quarter, the Company accounts receivable and "costs and estimated earnings in excess of billings on uncompleted contracts" increased considerably compared to November 30, 1991 balances. The increase in accounts receivables was due to a substantial billing month in May of 1992 and some delayed payments on current accounts. The increase in "costs and estimated earnings in excess of billings on uncompleted contracts" was due to work performed prior to certain billing milestones being reached.

Fluctuations in the Company's current assets are normal and are expected by management as a result of the following factors:

a) Sales volatility;
b) Milestone billing on contracts; and
c) Revenue recognition.

Current Liabilities increased 18.7% compared to the November 30, 1991 balances. The increase was primarily due to increases in borrowings against the Company's line of credit and increases in affiliated accounts payable, mainly due to inventory purchases toward the latter part of the quarter. Such increases are normal and can be offset with cash flows from receipts of accounts receivables.

Non-current long-term debt stayed relatively the same as a result of principal payments on long-term debt being offset by the reclassification of $150,000 of the $200,000 term loan to long-term debt.

The Company announced that on February 12, 1992, its Board of Directors authorized and approved a 4:1 reverse stock split of all Company common stock, warrants, and stock options. The split was effective February 28, 1992. The action was taken as part of the Company's strategy with recently enacted NASD standards for continued quotation on the NASDAQ system.

The first milestone for the Plan was verified during the first quarter of 1992. Options to purchase twenty-seven thousand four hundred ninety-nine (27,499) shares of common stock will be exercisable at the option price of $1.1875 since approval by the Board of Directors in April of 1992.

LITIGATION

On April 30, 1992 the Company entered into a Settlement Agreement and Mutual Release ("Settlement") with Kress Corporation "(Kress") pursuant to which the Company and Kress have dismissed with prejudice all claims made against the other in the action for declatory judgement filed by the Company in the North Carolina General Courts of Justice Superior Court Division, Mecklenburg County. Pursuant to the terms of the Settlement, NDC has paid to Kress the sum of $51,500, which was made without any admission of wrongdoing by the Company. Both parties have granted releases to the other for all claims arising out of matters which occurred at any time prior to the date of the Settlement.

PURCHASE OF NDC TECHNOLOGY AUSTRALIA PTY. LTD.

On July 1, 1992, NDC Automation, Inc. acquired 100% of the outstanding stock of NDC Technology Australia Pty. Ltd. for a total consideration of treasury stock and cash of $103,000. (See Exhibit F of this filing.) Management believes that with the present backlog in Australia and possible government grants to be received within the next five months, NDC Technology Australia Pty. Ltd. should be brought back into a positive equity position. NDC Automation, Inc. will finance any shortfall in the interim.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 30, 1992 the Company entered into a Settlement Agreement and Mutual Release("Settlement") with Kress Corporation "(Kress") pursuant to which the Company and Kress have dismissed with prejudice all claims made against the other in the action for declatory judgement filed by the Company in the North Carolina General Courts of Justice Superior Court Division, Mecklenburg County. Pursuant to the terms of the Settlement, NDC has paid to Kress the sum of $51,500, which was made without any admission of wrongdoing by the Company. Both parties have granted releases to the other for all claims arising out of matters which occurred at any time prior to the date of the Settlement.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

(a) Annual Shareholder's Meeting April 27, 1992

(b) The following individuals were re-elected directors of the Company:

Gunnar K. Lofgren
James R. Currier, Sr.
Goran P. R. Netzler
Jan H. L. Jutander
James F. Huzl
E. Thomas Watson

(c) Other matters voted upon and voting is as follows:

(i) Ratification of the selection of McGladrey & Pullen by the Board of Directors as the Company's independent auditors.

For	Abstain	Against
1,465,683	3,250	3,200

(d) None

Item 5. Other Information

None.

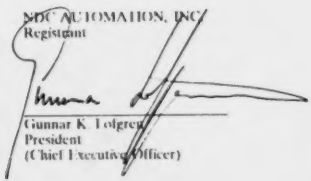
Item 6. Exhibits and Report on Form 8-K

(a) Exhibits -- Press Releases (See pages 23-26)
(b) Report on Form 8-K, filed March 4, 1992 (See pages 27-29)
Reverse Stock Split
Report on Form 8-K, filed on July 10, 1992 -- (See pages 30-33)
Purchase of NDC Technology Australia Pty. Ltd.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

SDC AUTOMATION, INC.
Registrant



Gunnar K. Tolgren
President
(Chief Executive Officer)

Claude Imbleau
VP - Finance & Administration

Date: July 14, 1992

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

EXHIBIT A

FOR IMMEDIATE RELEASE

July 17, 1992

NDC AUTOMATION
ANNOUNCES AN LGV (LASER GUIDED VEHICLE) ORDER

Charlotte, NC, July 17, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") has received an order in excess of $2,000,000, during the quarter ending May 31, 1992, using our newly introduced Laser Guided Technology in the textile industry. This order opens up new applications and markets not previously addressed (such as the textile industry).

Management sees many advantages through this technology, such as reducing installation costs and damage to existing flooring, as well as having a built-in flexibility for future modifications to the installed system.

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For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 362-1115

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

EXHIBIT B

FOR IMMEDIATE RELEASE
March 20, 1992

Charlotte, NC, March 20, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") announces the receipt of its first new advanced laser guided vehicle system for pharmaceutical giant ... Glaxo ... in Melbourne, Australia.

The system, at an order value of $533,000, consists of three vehicles to handle totes of pharmaceutical material between receiving, the automated warehouse system, and different process lines. "Pharmaceutical applications are one of the prime markets for our new laser technology for some very important reasons," according to Gunnar Lofgren, NDC's president:

- **It is an environmentally safe installation in a clean room atmosphere, compared to the in-floor wire system; and**
- **The system layout is flexible, capable of quick, easy system modifications, thereby meeting fast-changing production demands.**

Some basic insight into laser guidance ... vehicles are equipped with a rotating laser head (emitting an invisible, low intensity laser beam), which, while driving, measures the angles between a number of reflection points in the building. From this information, the vehicle can orientate itself in a coordinate system, which includes the entire operative field. The route pattern is defined by CAD routines.

Installation of the first phase of the project will take place in September this year, with more to follow.

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For further information contact:

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President or
Ann Thompson
Executive Assistant
(704) 362-1115

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3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

EXHIBIT C

FOR IMMEDIATE RELEASE

July 8, 1992

NDC AUTOMATION
ANNOUNCES THREE AUTOMATIC ROLL HANDLING INSTALLATIONS

Charlotte, NC, July 8, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") has received orders in excess of $1,000,000 to deliver AGVS control systems for three (3) automatic roll handling installations to the newsprint industry. The final value of the orders is to be determined during the course of engineering on each of the projects.

Two of the systems are sold for a large Japanese conglomorate group which delivers turnkey newsprint systems. "This is a major breakthrough in the Asian newsprint market and has great potential for future sales," says Gunnar Lofgren.

The third system is a repeat order for a major European newsprint concern to which NDC delivered a large system in 1991.

Delivery by NDC will be completed by year end.

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For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 362-1115

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

FOR IMMEDIATE RELEASE EXHIBIT D

May 22, 1992

NDC AUTOMATION
ANNOUNCES AGREEMENT WITH SCHLAFHORST, INC.

Charlotte, NC, May 22, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") announces that final negotiations are to be completed within the next two weeks for a long-term Partnership Agreement with Schlafhorst, Inc., Charlotte, North Carolina. The Agreement will entail supplying the textile industry with automation to link the various manufacturing processes, specifically where they relate to all tasks involving open ended spinning.

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For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 362-1115

EXHIBIT E

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) March 4, 1992

NDC Automation, Inc.
(Exact name of registrant as specified in its charter)

Delaware	0-18253	56-1460497
(State or other jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3101 Latrobe Drive	Charlotte, NC	28211
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code (704) 362-1115

(Former name or former address, if changed since last report.)

Item 1. Changes in Control of Registrant.

None.

Item 2. Acquisition or Disposition of Assets.

None.

Item 3. Bankruptcy or Receivership.

None.

Item 4. Changes in the Registrant's Certifying Accountant.

None.

Item 5. Other Events.

(a) Please see the Press Release attached hereto as Exhibit A.

Item 6. Resignations of Registrant's Directors.

Item 7. Financial Statements and Exhibits.

(a) Exhibit A - Press Release of Reverse Stock Split.

Item 8. Change in Fiscal Year.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1923, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NDC AUTOMATION, INC.

Date: March 4, 1992

By: _____
James K. Currier, Sr.
Executive Vice President

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

EXHIBIT A

to Form 8-K

FOR IMMEDIATE RELEASE
March 4, 1992

NDC AUTOMATION
ANNOUNCES REVERSE STOCK SPLIT

Charlotte, NC, March 4, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") announced that on February 14, 1992, its Board of Directors authorized and approved a 4 to 1 reverse split of all Company common stock, warrants, and stock options. The split was effective February 28, 1992.

Company management states that the action was taken as part of the Company's strategy for complying with recently enacted NASD standards for continued quotation on the NASDAQ system.

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For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 3o2-1115

EXHIBIT F

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 10, 1992

NDC Automation, Inc.
(Exact name of registrant as specified in its charter)

Delaware	0-18253	56-1460497
(State or other jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3101 Latrobe Drive, Charlotte, NC	28211
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (704) 362-1115

(Former name or former address, if changed since last report.)

Item 2. Acquisition of Assets.

1. See Press Release attached hereto, and incorporated herein by reference as Exhibit 1.

2. Amount of Consideration Given - $103,000.00 distributed as follows:

   a) 23,750 Treasury Shares of the Registrant with a value of $2.00/share at the close of business on 6/30/92 (total value $47,500.00).

   b) $55,500.00 Cash.

3. Principle followed in determination of consideration.

   a) Analysis by Registrant's senior management of historical financial data of NDC Australia.

   b) Analysis by Registrant's senior management of expected current financial results, backlog, quotation activity, and other qualitative business factors (including goodwill and potential of future business.

   c) Presentation by Registrant's senior management of the results of above data to Hitchner, Whitt & Company, PA, a CPA firm specializing in business valuations, from which an opinion letter was rendered establishing fair market value.

4. Relationship between Buyers and Sellers.

   a) NDC Technologies International Ltd. (Seller) (hereinafter, "NDC International") is owned 25% each by Gunnar Lofgren and James Currier, President and Executive Vice President, respectively, of NDC Automation, Inc. (Buyer).

   b) NDC Technology Australia Pty Ltd. (Acquired Company) (hereinafter "NDC Australia") is 95% owned by NDC International and 5% owned by Randall E. Jennings, Vice President - Operations of the Buyer.

5. Source of funds used in the acquisition.

   a) Treasury Shares which the Registrant has purchased from time to time in open market transactions subject to an authorization by the Registrant's Board of Directors on 11/27/90.

   b) $55,500.00 cash generated from operations of the Registrant.

Item 7. Financial Statements and Exhibits.

1. It is impracticable for the Registrant to submit, at the time of this filing, financial statements of NDC Australia, since the audited statements for its fiscal year ended June 30, 1992 will not be available until late July 1992 and converted to US currency and generally accepted accounting principles by late August 1992. Registrant will file said financials with the Commission no later than September 14, 1992.

2. Exhibit 1 - Press Release.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1923, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NDC AUTOMATION, INC.

Date: July 10, 1992

By:
Claude Imbleau
Vice President - Finance

NDC AUTOMATION, INC.

3101 Latrobe Drive
Charlotte, NC 28211
(704) 362-1115 Phone
(704) 364-4039 Fax

FOR IMMEDIATE RELEASE
July 10, 1992

EXHIBIT 1

NDC AUTOMATION ANNOUNCES ACQUISITION

Charlotte, NC, July 10, 1992, NDC Automation, Inc. (NASDAQ Symbol "AGVS") announced today the acquisition of NDC Technology Australia Pty Ltd. ("NDC Australia") effective July 1, 1992, from NDC Technologies International Ltd. ("NDC International"), an affiliate company, for cash and treasury stock valued at $103,000.

Gunnar Lofgren, NDC Automation President and CEO, remarks that "the addition of NDC Australia will further strengthen the Company's reputation as an international supplier of factory automation technology. Furthermore, the value of NDC Australia should prove valuable to the Company as a base for expansion into the Pacific Basin."

Company officials note that while business in the domestic Australian market is cyclical and has not been profitable in recent years, the Company expects NDC Australia to show a small profit for its fiscal year ended June 30, 1992. Subject to the outcome of certain grant applications to be filed with the Australian government, NDC Australia could receive up to $250,000 (Australian) before November 30, 1992. If the grant is received, it will be applied to the consolidated pretax profit of the Company.

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For further information contact:

Gunnar Lofgren
President or
Ann Thompson
Executive Assistant
(704) 362-1115